



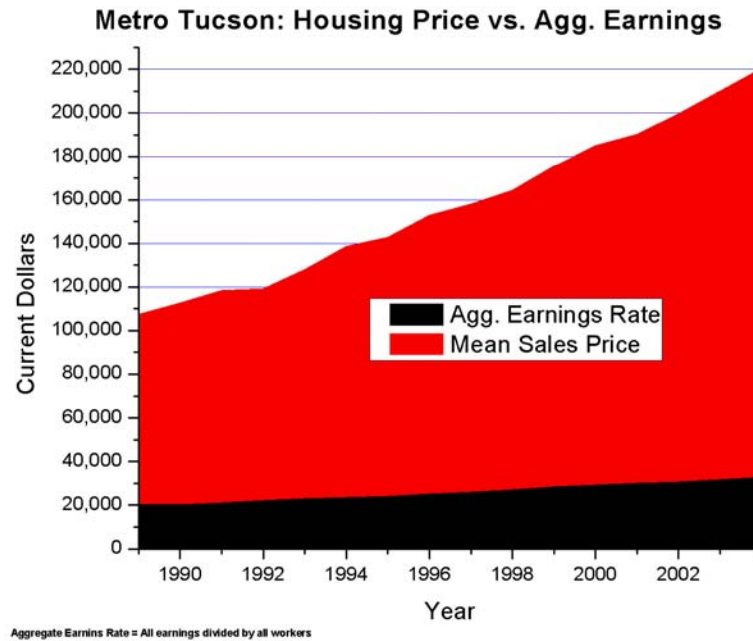
Draft
Implementation Plan

Tucson Housing Trust Fund – Implementation Plan

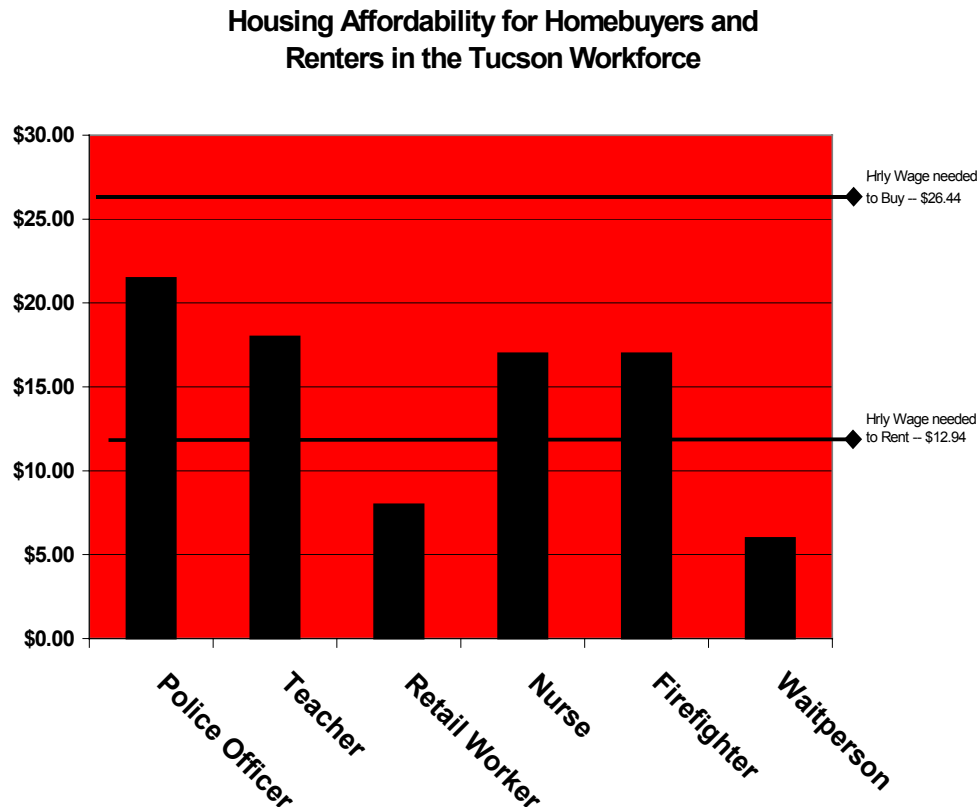
Tucson is facing a shortage of safe, decent and affordable housing options for its residents. Housing costs are rising faster than incomes, the post WWII supply of entry-level homes are showing their age, and it is more and more difficult for families to buy their first home, or find an affordable good-quality apartment.

Tucson's Housing Market

The City of Tucson's *Affordable Housing Strategies 2006-2010* discusses in some depth, current housing challenges. There are three very telling indicators. First, while income has remained low, the cost of housing has skyrocketed. The average sales price of a home in 2004 was \$205,188, compared to \$155,907 in 2000, a 32% increase. The following chart shows how little our earnings rate has changed over the past 20 years, compared to housing costs.

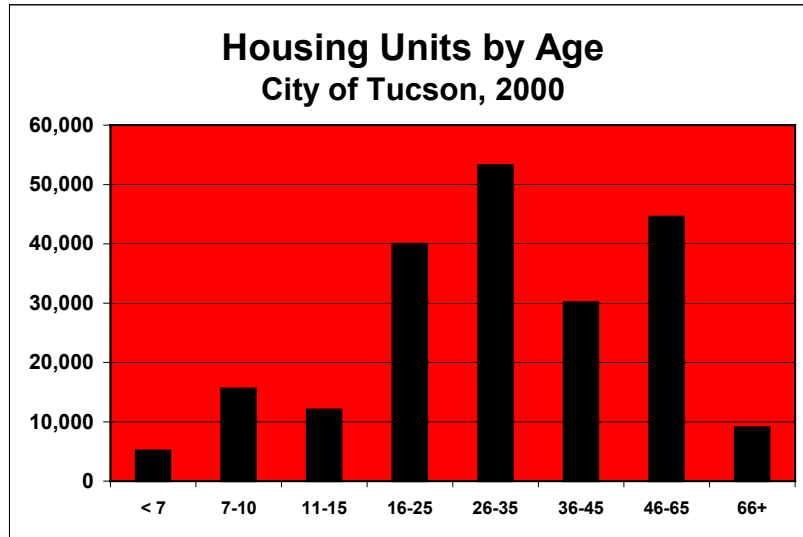


Of special concern are the Tucsonans working in service and health industries that either cannot afford to buy a home, or are travelling to communities like Benson or Sahuarita to find a house they can afford. This chart, with information from the State Department of Housing, demonstrates the problem. The top line shows the income needed to purchase a



median priced home in Tucson in 2004--\$26.44. The lower line shows the income needed --\$12.94—to rent a median priced Tucson apartment. Nurses, firefighters, and teachers need either two jobs or two incomes to buy a home, while retail workers need two or three jobs to even rent a nice-quality apartment.

The City's existing housing, when kept in good repair, remains vital to meeting housing affordability needs. As homes age, routine maintenance becomes very important as a means of preventing deterioration. By 2010, the city will have roughly 53,666 homes that are 50 years old or older. Frequently, families that struggle to find funds to properly repair aging roofs, sewer lines, and electrical systems occupy older homes.



Tucson's population growth has been steady and significant over the last half century. The Pima Association of Governments (PAG) projects substantial growth to occur in the Southlands area in southeast Tucson. PAG projects the annual rate of growth for this area to be 13.1%, compared to 2.8% for the city. This area will provide an excellent opportunity to develop a mix of housing options for Tucson's growing population.

As the city's population increases, special attention needs to be placed on housing that works for seniors. The percentages of people 65 years and older will increase significantly, reflecting the aging of the Baby Boom generation and medical advances that increase life expectancy. In 2000, 12% of the population was 65 years or older; by 2010, this is expected to increase to 16%.

Given current funding levels, the City cannot keep up with the growing housing challenges. This demands a new approach to addressing the housing needs of Tucson residents.

Needs Vary across the Community

While there are needs throughout the community, the needs vary geographically. Therefore, a targeted response is necessary—there should be more emphasis on homeownership in Ward III, for example, and on elderly home repair in Ward II. Some indicators of how housing challenges vary by area are shown in the graphs on page 6.

Staff will work with each Ward office to craft specific targeting strategies based on census data and other indicators. For instance, the large number of renter households paying more than a third of their income for housing, ranging from 19 % in Ward II to 34% in Ward III, indicates that affordable rental units are needed throughout the community.

While Ward I has a relatively high homeownership rate, it has a large number of people living in over-crowded conditions and a high number of older dwellings. This indicates a need for owner-occupied housing rehabilitation to relieve over-crowded conditions.

Ward II has the highest income and least number of cost-burdened households, but it has the greatest number of households headed by persons older than 65 years of age. This indicates a need for rehabilitation focused on home modifications that allow elderly persons to age in place, or perhaps affordable housing options such as elderly co-housing or nursing facilities.

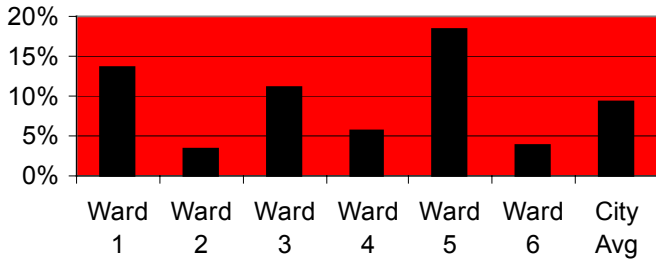
Ward III has the lowest rate of homeowners, the lowest household income, very few permits for new construction and the highest rate of cost-burdened households in the city. These facts indicate that there is a need for more affordable homeownership opportunities, a need to re-invest in older homes, making them more attractive to homebuyers, and a need for additional affordable rental units. Rental housing is affected by the close proximity to the University.

Ward IV has the newest housing stock and is the fastest growing ward. It also has a relatively high household income, low over-crowded conditions and is the least cost burdened, but it lacks affordability. Housing currently being developed is not affordable to low- and moderate-income households, indicating a need for affordable homeownership opportunities.

Ward V has the largest percentage of over-crowded conditions. It also has low household incomes. These facts indicate a need for larger affordable housing units (both rental and ownership) to house large families.

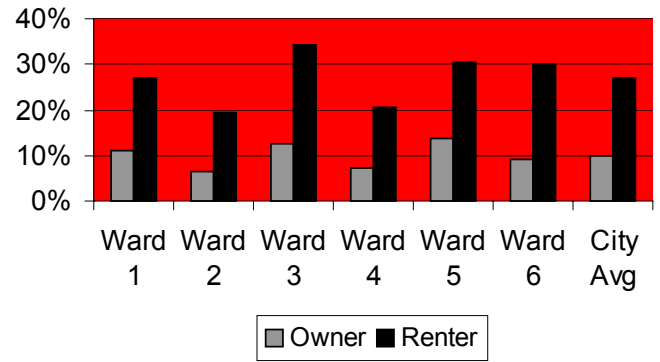
Ward VI has the oldest housing stock in the city, coupled with the fewest new housing starts, indicating a need for housing rehabilitation. It also has a high level of cost-burdened renters, which may be attributed to the large number of student rentals associated with the University.

Overcrowding
(more than 1.01 persons per room)

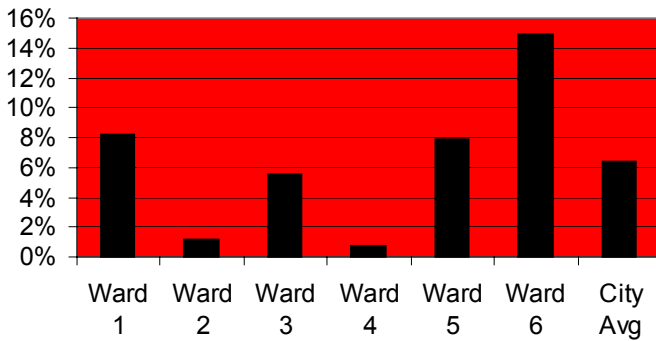


Cost Burdened

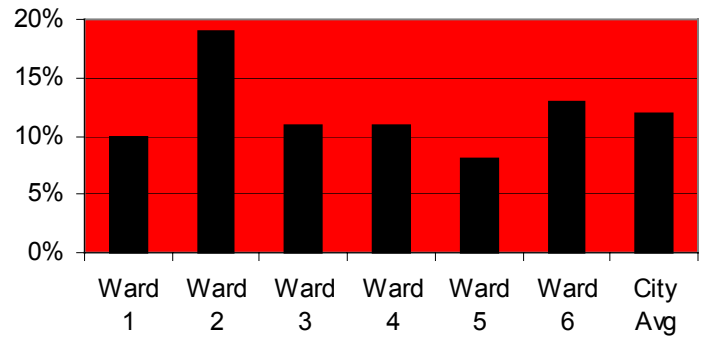
(paying more than a third of their income on housing)



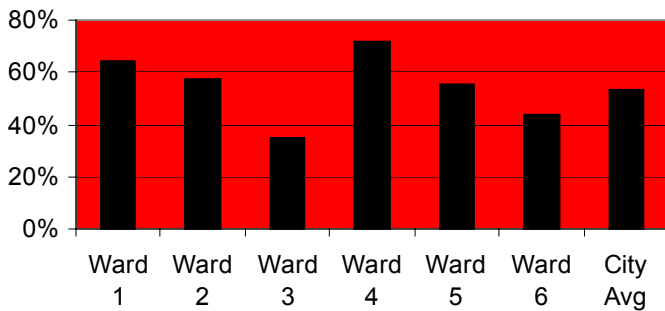
Percent of Homes Built Before 1940



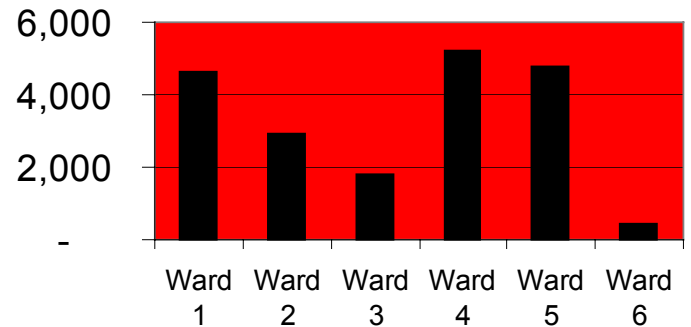
Percentage of Population 65+ Years



Percent of Homes Owner Occupied



Housing Permits
2000-2005



A Response

A Tucson-based initiative is needed to adequately address some of these problems. The Tucson Housing Trust Fund will use local resources—people, ideas, land and money—to assist families secure good-quality housing they can afford. To this end, the Fund will increase homeownership for Tucson’s work force, help upgrade existing housing, and support additional or upgraded affordable rental housing.

The goal is for the Fund to be largely self-sustaining, with steady income from a variety of dedicated funding sources. Overarching principles for the Fund are that it leverage additional dollars, fund gaps in projects that would otherwise not be built, and simplify processes that are barriers to affordable housing.

The proposed uses of the Fund are:

- 33% - Home Improvements
- 33% - Homeownership
- 33% - Rental Preservation or Development

At least 10% of the funds should serve people with special needs.

Governance

There will be a Board appointed by Mayor and Council that will oversee the policies of the Housing Trust Fund. The Board will consist of community members who are interested in housing issues.

Proposed Program Designs

Programs of the Trust Fund should be easy to access and implement. The Trust Fund Board will approve final program designs. Preliminary program designs are:

Home Improvements

Home improvements will enhance the livability of aging neighborhoods by improving deteriorating homes, encouraging private reinvestment and maintaining homeownership.

The proposed program is a home improvement loan for homeowners up to 100% of Tucson’s median income (\$52,400 for a family of four.) The loan would be at 2% simple interest; with no payments due until the home is sold or refinanced.

In addition, some repair funds could be allocated to provide emergency shelter for individuals and families whose homes are found to be unsafe or have been

identified as having health and safety violations. If the fund is used for this purpose, the assistance would be a grant and there would be no pay back.

First-Time Homebuyers

Tucson's homeownership rate is 18% below the national average, and among the lowest in the Southwest. In order to increase the homeownership rate, 33% of the Fund will be used to provide down-payment assistance to first-time homebuyers. To accomplish this we recommend a down-payment assistance program that serves families earning up to 100% of Tucson's median income. Median income for a family of four is \$52,400. This means that the nurses, teachers, and firefighters shown in the graph will be able to get some assistance to become homeowners.

For families earning between 80-100% TMI, we propose down-payment assistance from the Fund in the amount of \$10,000, and \$5,000 for necessary home improvements. For families earning under 80% TMI, the funds will be matched with an additional \$10,000 in federal funds.

In addition, as an inducement for builders of subdivisions larger than 25 homes, we propose a separate allocation of the Fund that builders would match, up to \$10,000 per unit. This would benefit the public by ensuring subdivisions include families with a wide range of incomes, and benefit builders by broadening the range of prospective clients who qualify for purchase, and assist them in meeting rezoning considerations concerning affordable housing.

Down-payment assistance will be in the form of a loan at 2% simple interest, with no payment due until the sale or refinance of the home. The loan would be secured behind the buyer's first mortgage.

Rental Preservation/Rental Development Programs

Affordable rental units serve families that most need help finding housing they can afford. The goals of this program are to preserve existing affordable rental units, expand the supply of affordable rental housing and to fund modifications of rental units that allow disabled clients greater access.

The program would be run through a request for proposal process. Assistance to developers of affordable rental housing will be in the form of low-interest rate loans. Developers can apply for funds to rehabilitate affordable rental units, bridge financial gaps in the development of affordable rental housing, or preserve affordable rental housing that might otherwise convert to market rate.

Due to the high costs associated with developing these types of projects, two or more years of funding allocation might be necessary to provide the dollar amount necessary to make a project work.

Project Management

Project delivery costs are costs incurred by an agency to perform functions such as verifying income eligibility, home-ownership counseling, home inspections, and assisting families get a mortgage they can afford. Project delivery costs will not exceed ten percent.

Conclusion

This implementation plan is intended to be the starting point for the Tucson Housing Trust Fund. It will evolve, both in revenue sources and in programs. It needs more than government to succeed, and will need energetic participation of many different industries and people. Other communities have taken this approach, and so can Tucson.